



May 23, 2013  
State Senator Darwin L. Booher  
Senate Banking & Financial Institutions Committee Chair  
520 Farnum Bldg.  
Lansing, MI

Dear Chairman Booher:

I am writing on behalf of the Michigan Foreclosure Task Force (MFTF), a broad-based statewide coalition pulled together by the Community Economic Development Association of Michigan (CEDAM) in 2007 to respond to the foreclosure crisis in our state. Our membership consists of nearly 200 organizations including housing counseling agencies, legal aid offices, local units of government, realtors, title companies, local community development corporations and statewide advocacy organizations. After careful consideration, MFTF and its members have decided to oppose SB380-383. If these bills were introduced separately, we would support SB 380, 381 and 382 – all of which we believe are sound public policy and work to prevent large numbers of foreclosures. But, because the bills are tie-barred to SB383 which would shorten Michigan's longstanding Six-month Redemption Period to 60 days, we are opposing the entire package. Simply put, we are taking this position because our broad-based statewide membership believes that the benefits of SB380, SB381 and SB382 are far outweighed by the short-term and long-term damage that would be done by SB383, which would shorten Michigan's longstanding, reasonable and effective Redemption Period.

As we all know, Michigan was hit earlier, harder and is taking longer to recover from the mortgage foreclosure crisis than the vast majority of states across the country. While the numbers of foreclosures in Michigan are steadily declining, we are still in a crisis. During the 12-month period of March 2012 to March 2013, Michigan lost 70,000 homes to foreclosure making it the third highest number of foreclosures in the country during that period. The point is that we are dealing with both an ongoing flood of foreclosures and the cumulative effect of the past seven years of this crisis. We need policies that help prevent as many foreclosures as possible now and in the future!

For the past several years, the combination of Michigan's Pre-Foreclosure Negotiation Law and longstanding Six-month Redemption Period have effectively prevented foreclosures when possible and when prevention is not possible, have provided homeowners the time to find safe, affordable housing. This has been documented for the past three years by an annual survey of HUD and MSHDA-certified foreclosure prevention counselors and legal aid attorneys working on the ground with Michigan homeowners at risk of losing their homes to mortgage foreclosure. Shortening Michigan's Six-month Redemption Period to 60 days would be a major step backwards for homeowners, neighborhoods and communities, all of whom suffer when a foreclosure occurs and/or a family is displaced.

In the *short* term, cutting the Redemption Period to 60 days would prevent Michigan residents from benefiting from the recent increase in short sales, which currently make up 5%-10% of Michigan home sales. Closing on a short sale, and thus avoiding the negative financial impact of a foreclosure, typically takes the better part of the current Six-month Redemption Period. While a short sale doesn't save the home for the homeowner, it does prevent a foreclosure so the homeowner's credit doesn't suffer and the neighborhood and community are spared another vacant property and the resulting lowered property values and reduced tax revenue that is used to fund basic services for everyone.

A short sale that prevents a foreclosure also helps raise property values. According to a recent RealtyTrac report, the average price of homes sold through a short sale is \$175,000 vs. \$147,000 when a home is repossessed by the lender. Additionally, a recent National Fair Housing study found that REO properties also tend to remain vacant longer and are often neglected by the lender/owner, resulting in a loss of marketability and value.

In the *long* term, we see SB383 as an attempt to fix something that isn't broken. Most states in the country, particularly those with foreclosure numbers as high as Michigan's, are searching for ways to avoid these foreclosures and the negative impact they have on families, neighborhoods and communities, instead of rushing the process and turning more homes into vacant properties, often unnecessarily. Several years ago, Michigan made a trade-off when it decided to allow lenders to foreclose by advertisement rather than to require them to go through the court system (judicial foreclosure). Foreclosure by advertisement is preferred by lenders because it is a much quicker process than judicial foreclosure. Judicial foreclosure, however, guarantees that both lender and borrower benefit from the due process of the law. The trade-off Michigan made was that lenders would be allowed to foreclose more quickly, but homeowners would have a reasonable Six-month Redemption Period in which to attempt to redeem the house or to find a new place to live.

*Prior* to the foreclosure crisis, large numbers of at-risk homeowners were able to redeem their homes during the six months afforded by Michigan's Redemption Period. *During* the recent and ongoing foreclosure crisis, many homeowners are still able to use the six months to redeem their homes although unemployment and underemployment have significantly reduced these numbers from what they were in better economic times. As the crisis subsides and the economy and job market continue to improve, more and more at-risk homeowners will be in a position to once again use the Six-month Redemption Period to redeem their homes. As mentioned earlier, in the meantime, large numbers of homeowners are using the Six-month Redemption Period to avoid foreclosure by selling their homes on short sales. And, when all else fails, they use the time to find safe, affordable housing. The bottom line is that Michigan's Six-month Redemption Period has proven for decades to be effective in both *good* times and *bad*. The Michigan Foreclosure Task Force believes that it makes no sense to tamper with it and this tampering can only do harm. It is for this reason that we are willing to sacrifice the benefits we believe would accrue from SB380, 381 and 382 in order to oppose SB383 which threatens this critical piece of Michigan foreclosure law.

Respectfully,

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